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THE WAY TO INDUSTRIAL PEACE—FROM AN ENGLISH EMPLOYER'S POINT OF VIEW

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HUMANITY has been roughly shaken out of its sense of comparative security, and is anxious and ill at ease. It is looking for some way in which to safeguard itself against the repetition—on an even more colossal and more disastrous scale—of the conflict which ravaged the world from 1914 to 1918. Your President has summoned a world conference, which will shortly meet to discuss disarmament. Everywhere people are coming to realize that no permanent safety is to be found in treaties which aim at securing an even distribution of power between various possible combatants. That policy makes the world's peace a mere contingency, depending on the perfect poise of a balance that is not held in the hand of justice. We must find some more stable basis, if we are to achieve enduring peace.

And what is true of international relations is equally true of the relations between Capital and Labor. All over the world Federated Capital is, today, confronted by Federated Labor. Each is primarily seeking to adjust the balance in its own favor, or to gain such a predominance of power over the other that it can dictate terms. If, however, that is impossible, it endeavors at any rate to intrench itself so strongly that it is immune from attack.

Now, the conflicts which are continually devastating the whole field of industry show that these methods have failed, whether from the viewpoint of Capital, of Labor, or of the whole community. They have not tended to produce stability, but appalling instability. It is essential for the welfare of the world that we should devise and adopt better methods, and there has never in human history been a more favorable opportunity for doing this. Education has made great progress during the last quarter of a century, and when people become educated they soon begin to analyze their own social relation-

ships, and to ask how existing laws and customs affect them, whether as individuals or as groups. Both in America and Britain, profound changes have taken place; and there is a higher level of intelligence combined with a much stronger sense of group loyalty among the rank-and-file workers. This was true even before the war, but the war has intensified and hastened the development.

Whether or no we welcome the new attitude of Labor, we cannot afford to neglect it; and its direct message to those of us who, in our different spheres, have grave responsibility with regard to the conduct of industry, is that we can no longer hope to arrive at industrial peace by the methods of the arena. Rather, we must attempt to establish relations of which peace will be the natural outcome. This will involve the discovery and the modification or removal of whatever conditions in our present system inevitably make for labor unrest.

In this, I think, the initiative should be taken by employers. *Noblesse oblige*. I have come to the United States as a student to learn how you are dealing with the labor problem, and being here I have been asked to tell you what we are trying to do on the other side of the Atlantic. I do not, of course, claim to represent British employers as a whole—that would be an unwarranted presumption. I believe, however, that what I have to say would be supported probably, with exceptions here and there, by a considerable number of the more progressive employers in England.

To return to the problem before us, I said that the task before employers is to seek out and try to remove the causes of labor unrest. Let us consider what practical steps this will imply. Leaving out of account the unreasoning labor agitator, who only gains hearers from among discontented people, I think the thoughtful worker would say that there are certain minimum conditions which any satisfactory scheme of industry must provide, and that they are these:

- (1) Earnings sufficient to maintain a reasonable standard of comfort.
- (2) Reasonable hours of work.
- (3) Reasonable economic security during the whole working life and in old age.

- (4) A reasonable share, with the employer, in determining the conditions of work.
- (5) An interest in the prosperity of the industry in which he is engaged.

Are these claims such as employers can rightly entertain? Before we seek to answer that question may I suggest that it is essential to approach its consideration with perfectly open minds. It may be difficult for us to do this, because all our lives the economic relations of employer and worker have followed certain clearly defined traditions, and these have become so fixed that they almost seem to be an intrinsic and unalterable part of industry. Moreover, they are closely associated with the wonderful industrial developments of the last seventy or eighty years. It is obvious that we cannot abandon or even modify them in a careless, irresponsible fashion and it has often been argued that any interference with them might handicap industrial progress or even render it impossible.

Yet, today, that argument fails to convince the impartial observer who sees to what an extent progress is already checked and paralyzed by the perpetual struggle between Capital and Labor. It is up to us as employers, by one means or another, to get industry into sound working trim; and if we find that nineteenth-century methods will not fit twentieth-century needs, we can but say: "After all, we are not living in the nineteenth century!"

Returning now to the claims formulated above, let us examine them seriatim.

1. *Wages*

I think we shall agree that no scheme of industry can be regarded as satisfactory which does not provide minimum wages for workers of normal ability which, in the case of a man will enable him to marry, to live in a decent house, and to bring up a family of average size in a state of physical efficiency, whilst leaving a margin for contingencies and recreation. Women should be able to live in accordance with a similar standard of comfort, providing for themselves alone.

I do not attempt to indicate what money wage would be necessary to provide such a standard of life, but there is no doubt that it would be higher than is paid in a great number

of cases to unskilled labor, and if the wages of unskilled labor are advanced there will be consequential advances in the higher grades of labor. In many industries, therefore, it may be assumed that the standard would necessitate an advance in wage rates over those normally paid.

It may appear utopian to propose such a course at a time when employers generally are often necessarily engaged in trying to get wages down in order that they may produce goods at prices which will command a market. I do not for one moment suggest that it would be possible at once to secure minimum wages in accordance with the standard I have outlined. What I am asking is that employers should themselves seek to raise wages as soon as they can at any rate to the standard indicated, and should regard any lower one as unsatisfactory. It would have an immense effect on the relations of employers and workers, if the latter felt that employers were striving to raise wages independently of any pressure which Labor might exercise.

Increased wages may conceivably come from three sources. We may reduce profits, or increase prices, or increase the output of wealth per worker, whether by inducing the workers to exert greater energy, or by so improving industrial processes and organization as to cause each unit of Labor to produce more.

As regards the reduction of profits, there may be whole industries so favorably circumstanced that they could afford to raise their scale of wages very substantially, and yet earn profits which will ensure adequate supplies of capital. But if such industries exist they are certainly exceptions.

I think we may lay down the principle that capital must receive such remuneration as will attract it in whatever measure is necessary for the full development of the industry, and the first claim over any surplus beyond this should be that of the workers who are living below the minimum standard. Speaking for industry generally, I do not think we can look for any important source of increased wages out of profits.

Raising prices, is, of course, no remedy, for we are dealing with *real* wages, and if the cost of living goes up the money income necessary to maintain a given standard of life will rise in proportion.

We must fall back, then, on increasing the output per worker. I think undoubtedly something can be done, certainly in Britain, by methods which will induce the workers to put forth greater efforts. America has the reputation of having been more successful in this direction than we have in Britain, and you will know much better than I do how far one may rely upon this means of providing the revenue necessary to pay higher wages. I think however that you may agree with me that when every step has been taken in this direction it would still be impossible in some industries to pay the wages required, and that in such cases the main source of revenue must come from the improvement of industrial processes and administration. Here the possibilities are almost unlimited, and I suggest that it is a fundamental duty of all employers by rendering their industry more efficient, to increase the output per worker to the point that will allow the payment of such minimum wages as I have indicated.

Coming now to a practical step, I suggest that it would not be unreasonable to make it a statutory duty for all employers within a given time, to raise wages in their industry to that point. In Britain we are moving in this direction through the means of Trade Boards, which are fixing minimum wages, but not upon any clearly defined principle. I think it would be quite fair to say to an industry: "We will give you five or seven years in which to improve your industrial methods and thus pay the minimum wages required. But if you cannot succeed in doing this within the given period, your industry will be regarded as parasitic, and the community will not suffer if it dies out."

2. Reasonable Hours of Work

This aspect of the question need only detain us for a moment. The worker may, I think, claim that his hours of work shall allow him a reasonable leisure for recreation and self-expression outside the factory, and further that they shall not be so long as to prejudice his health. On the other hand, if they are too short it will be impossible to raise the wealth-production per worker to the point necessary to enable adequate wages to be paid. It would be unwise to lay down any hard and fast line, but I think that at present forty-eight hours has proved

to be a satisfactory general standard and that any deviation from it either up or down should be justified by special circumstances.

3. *Reasonable Economic Security During the Whole Working Life and in Old Age*

The economic insecurity which characterizes our existing industrial system is probably more potent than any other factor in causing labor unrest, and in my opinion this aspect of industry most urgently claims earnest and constructive thinking on the part of employers. We will consider first the question of unemployment.

The fact that in modern industry it is the almost universal custom to dispense with workers with no concern as to their immediate future, the moment the demand for their service ceases, gives force to the contention that labor is treated by employers merely as a chattel. That state of things, rightly or wrongly, is regarded by the workers as an injustice. I am sure that we shall never have industrial peace until we find some means of removing the menace of unemployment. I do not propose here to discuss the whole question of how best to deal with unemployment, or to consider any means whereby it may be possible to regularize the demand for labor. That would lead me too far from the main subject. Clearly, however, it is the duty of the community to take every possible step to steady the labor market and to provide work for the unemployed in times of trade depression, on satisfactory lines. But when the utmost has been done in this direction, there will still remain a margin of men and women for whom work cannot be found. What is to happen to them? I suggest that if, in order to function efficiently, industry retains a reserve of workers to meet its varying demands, it should make adequate provision for the maintenance of that reserve when it cannot be absorbed. If employers, as a class, fail to acknowledge this responsibility they are, it seems to me, giving away one of the main defenses of the existing system, under which the capitalist asks the workers to unite with him in undertaking an industrial enterprise. What he says to them is practically this: "If you will provide labor, I will provide the necessary capital. The first claim upon the product of our joint enterprise shall be the payment

to you week by week of agreed wages. After that, the other charges of the industry must be met, and then if there is anything over, I will take it as a recompense for the service I render in providing the capital. Since I take the risks of industry, I am justified in taking the profits."

There is a great deal to be said for an arrangement of this kind, but at present one of the principal risks attached to industry is liability to find oneself unable to earn a livelihood, through involuntary unemployment due to trade depression. If the capitalist leaves the worker to face that risk unaided, he abandons the ground on which he justified himself in taking all the profits, and his claim to do this can no longer be defended.

But is it utopian and unpractical to suggest that the burden of maintaining the reserve of workers necessary for the functioning of an industry should devolve mainly upon that industry, as one of its normal charges? I think not. So far as the very inadequate available statistics enable us to form an estimate, I think it may be said that probably on the average, over a period of years, about ninety-five per cent of the workers are employed and five per cent unemployed. The proportions vary, of course, according to the state of trade, but so far as Britain is concerned, I fancy that the above estimate would not be far wrong, and I have never seen any evidence that conditions in America are widely different from those in Britain. Therefore, even if the reserve of workers attached to an industry were to receive their full wages when unemployed, the burden on the industry would only involve an addition of about five per cent to the wage-bill. But obviously, human nature being what it is, it would be quite impracticable to pay unemployed workers on just the same scale as if they were employed. I think, however, that if the capitalistic system of industry is to justify itself, it must pay the necessary reserve of workers a sum sufficient to enable them to live without serious privation and hardship in periods of inevitable unemployment. In a word industry should remove from the workers the practical menace involved in their liability to unemployment. I suggest that a suitable scale of payments would be to give every unemployed person who is able and willing to work half his or her average earnings when employed, and in addition to give a married man 10 per cent on account of his wife, and 5 per cent

for each dependent child under 16, with a maximum of 75 per cent of his average earnings.

Such an unemployment insurance scheme might be administered by legislation applying to a whole State, or by industries, or by individual factories or groups of factories. Only those with full knowledge of local circumstances could decide which of these three methods would be preferable in a given case. The first has the advantage of securing the end universally and in the shortest time. The second (insurance by industries), has the advantage of placing the responsibility for its own reserve of workers on each industry, and thus giving it a strong inducement so to organize itself as to reduce the amount of unemployment. The last method, which obviously would only be made use of in default of the others, has been adopted, with certain modifications, by my own firm which employs 7,000 workers. What I want to plead for is the acceptance of the view that it is not unreasonable of the workers to demand that, just as a well administered firm sets aside capital reserves in periods of prosperity, so that it may equalize dividends over good and bad years, so an industry or a firm should establish a wages equalization fund, which will enable it to pay part wages to its reserve of workers during the periods in which their services are not needed.

I must now briefly meet various criticisms which are sure to be urged against the course I advocate. The first is that such a policy will lead to gross abuse. It may be said that if the worker can maintain himself without serious privation when unemployed, he will become demoralized. I admit at once that this is a danger. In Britain, however, through our system of Employment Exchanges and with the assistance of trade unions, it has been found possible to introduce fairly effective checks to prevent abuse of the unemployment insurance fund. I do not claim that such checks have been entirely successful, even when the benefits provided, as in the case of our National Insurance Act, are so small that they appear to offer little temptation to malingering. But modifications in the British administration are clearly possible which would make the checks much more effective; and I am sure that if we can practically prevent abuses in Britain, it can be done in America. Where a scheme of unemployment insurance is undertaken by a factory, it is

quite easy to introduce effective checks. In my own factory we ensure that the benefits on the scale I have outlined are paid to all unemployed workers, the State pays 15s. the Trade Union pays 6s. and we pay the remainder. But our policy is to guarantee to set aside one per cent of our wage bill in order to meet our liabilities. We do not guarantee the benefits. We are satisfied that if there is no abuse this sum will be sufficient to meet the liabilities. The entire administration of the fund has been handed over to the workers, who have the power to refuse benefits to any worker who, in their opinion, is refusing offers of work. The whole of our employed workers are interested in seeing that there is no abuse, since clearly, abuses would lead to a depletion of the insurance fund which might render it impossible for it to meet their own liabilities if they become unemployed.

The second criticism which I must meet is that industry cannot afford to pay the insurance premiums. Here we may suitably ask: "Who precisely is to pay these premiums?" Now, although it may be argued that in equity the whole burden should fall on the employers, I think that from the psychological standpoint it is desirable that the workers should bear a share, and also that the community might be called upon to make a contribution. This is the course followed in the case of the National Unemployment Insurance Act in Britain. Supposing the total burden were approximately $3\frac{1}{2}$ per cent of the wage bill and the State and the workers between them bore half, that would only leave $1\frac{3}{4}$ per cent of the wage bill to be borne by the employers. I do not think such a tax would cripple industry, especially when we remember the important reactions which would follow in its train. The fear of unemployment and the sense of injustice associated with this fear in the minds of the workers are two of the most potent causes of labor unrest, and a measure which removed them would have a unique effect in dispelling that unrest. Again, the fear of unemployment is a strong contributory cause of ca'nny, and of objections to piece-work and to the introduction of labor-saving machinery and improved administration. When we recall these facts we realize at once that the reactions to be obtained from a really generous scheme of unemployment insurance are of the utmost consequence. In my opinion they

will probably do more than neutralize any additional charge which industry may have to bear.

To turn to other aspects of economic security, experience in Britain has shown us that, broadly speaking, workers have been able, through their system of Friendly Societies, to make provision for periods of sickness, though it has recently been found desirable to supplement their efforts by a State scheme of Sickness Insurance to which employers contribute.

We are still faced with the danger that a worker although he may have been reasonably thrifty all his life may find himself without resources when he can work no longer on account of old age. Until the level of wages is materially higher than at present, I think some system of old-age pensions is almost a necessity. The Old Age Pension Act in Britain only provides a pension of 10s. a week at 70. Undoubtedly this has proved an immense boon in countless cases, though by itself the sum is obviously inadequate for maintenance, and many firms have introduced pension funds of their own to which workers contribute. Whatever be the means devised, I do not think that any scheme of industry can be regarded as complete unless in one way or another it secures to the worker, or enables him to secure for himself a substantial provision against old age.

4. Giving Workers a Share in Determining Working Conditions

I now come to two aspects of the industrial problem where the path is much more obscure. In the matters of wages, hours and economic security, the ends to be achieved can be clearly stated and the steps necessary to achieve them can be indicated with a large measure of certainty. But when we come to questions of giving the workers a share in determining the conditions under which they work, and an interest in the prosperity of the industry in which they are engaged, we feel that we are on more or less untrodden ground. Yet these questions cannot be set aside just because they are difficult. In Britain there is a rapidly growing demand on the part of the workers for a larger share in the control of their own working lives. This demand varies greatly, both in degree and intensity, and it may represent very different schools of thought; but it is generally present in one form or another. An attempt has been made to

meet it through the inauguration of Joint Industrial Councils and Interim Industrial Reconstruction Committees which have now been set up in about ninety industries. In so far as these are confined to National Councils dealing with whole industries, I do not think they will satisfy the demand of the workers, who want something much more intimately associated with their daily lives. It is time for us to inquire into their claim, and ask to what extent employers should attempt to comply with it. Briefly, I think the position taken up by a fair-minded and thoughtful worker might be thus stated: "The State has done its best to make me an intelligent citizen. I recognize that industry is an essential factor in community life, and I am an essential factor in industry. I also recognize that capital is an essential factor in industry. Capital and Labor must cooperate before either can become effective, but I look upon it as unreasonable that in matters affecting my daily life and the conditions under which I work, Capital shall always be the absolute master and I the unquestioning servant. I acknowledge that in an industrial enterprise there must be someone in supreme control, and there must also be discipline, but this does not preclude an arrangement under which working conditions are mutually agreed upon, instead of being dictated by the representatives of Capital."

The employing classes, who for generations have been accustomed to believe that the possession of capital puts them in the position of autocrats who can do what they like in their own factories, are apt at first to set aside this claim of the workers as subversive of the whole industrial system, and to meet it with an absolute refusal. This attitude in the past has met with more or less success. But in Britain we are coming to realize that it cannot be maintained much longer and that to attempt to maintain it is to encourage the demand of the extremists for a complete recasting of the industrial system. Many thoughtful employers in Britain are endeavoring to initiate schemes under which the claim of the workers can be largely conceded without lowering industrial efficiency. These attempts are meeting with a considerable measure of success, and frequently antagonism which was growing up between Labor and Capital is being replaced by a spirit of cooperation. Although opinions may differ widely as to the practical steps

which should be taken, I think we shall agree that the demand for a share in determining working conditions which has definitely been made by the workers, and which is the inevitable outcome of an improved education, must be dealt with before we can hope for industrial stability. Workers can be treated as mere servants when they aspire to no higher position. But when once they claim that they are cooperators, rather than servants, it is courting antagonism to refuse to devise some scheme which places them on the higher footing. Whether we welcome or regret the change will depend upon our personal view of society. But we cannot refuse to acknowledge that it has come; and if we are wise we shall adapt our future policy to that fact. We can no longer effectively crush the demand of the workers, and those who sit on the safety valve of a boiler while steam is being generated run the risk of being blown up.

Doubtless it may be easier to conduct an industrial enterprise when the representatives of capital have autocratic power than to conduct it in cooperation with the workers. But if we make up our minds to face the difficulty, we can adopt the latter method without lowering industrial efficiency, and indeed, in the long run, efficiency will be increased, and not diminished. I think that the demand of the workers to be given a greater say in determining their working conditions is stronger in Britain than here, and this may account for the different attitude taken by employers in the two countries towards trade unions. There are vast numbers of employers in Britain, and I am among them, who now recognize that it is an advantage for their workers to be organized in unions. They have found that their previous attitude, when they held the union at arm's length and treated it as an enemy force, was mistaken—and that once they changed their attitude and accepted the trade union as a normal part of industry it changed its attitude. So long as they fought the unions the unions fought them. The fundamental right of labor to insist upon collective bargaining is scarcely ever disputed now in Britain. After all, the directors in a limited liability company, when dealing with labor are acting on behalf of great numbers of shareholders and representing their collective interest, and labor in demanding the right to collective bargaining is asking for no right beyond one which the employer already exercises. Over and over again

when we have difficulty with our workers we go to the trade unions secretary to help us to get over it, and we find that he can deal with the workers much more effectively than we can, and exercises a discipline which we could not exercise.

In Britain no common line of action has as yet been worked out, and possibly none will ever be worked out, for developing and also standardizing the machinery for cooperation between employers and the workers in determining working conditions. Meanwhile, individual employers confronted with a new psychological attitude on the part of labor are feeling their way towards the best method of meeting it. In my own factory we are successfully giving an increasing share of responsibility to the workers. The directors retain a veto in all matters, and the trade unions do the same, but subject to these two vetoes, which are scarcely ever exercised, I think it may be said that working conditions generally are fixed by mutual consent and not dictated by the management.

In each department there is a council, half of whose representatives are elected by the rank and file of workers, the other half being members of the administrative staff. They discuss all kinds of matters affecting working conditions in the department. Then for the discussion and settlement of matters affecting the whole factory, there is a Central Council similarly composed. It is important that the workers should be consulted and have a share in determining matters which are of real consequence—not just questions of welfare. In a democracy the people are responsible for framing the laws under which they live, for appointing, either directly or indirectly, the executive charged with the duty of administering the laws, and any citizen charged with breaking the laws is protected by a judicial system from arbitrary punishment.

We have sought to give the workers a real share in the legislative, executive and judicial functions of factory administration. Just recently a code of working rules for the whole factory has been agreed upon between the workers and the management, and it cannot be altered except by mutual consent. The workers, through their representatives, are consulted before a foreman is appointed, but when they have said all they have to say with regard to the person proposed, and have been given the opportunity of suggesting another name, the final decision

rests with the management, which, however, is not likely deliberately to appoint a foreman to whom a general objection is shown. And lastly, an appeal committee has been set up to which any worker may go who feels that he has been harshly treated in disciplinary matters, and the decision of this committee is final. The committee consists of two workers appointed by the worker members of the Central Council, two members appointed by the directors, and a chairman agreed on between them. No appeal is allowed to this committee in cases of dismissal for inefficiency or on account of depression in trade.

I have not included among the measures necessary to secure industrial peace the provision of a good working environment, because this would be a corollary of giving the workers a share in determining their own working environment. They would carefully watch over what I may term the welfare conditions in the factory. I think however that you will agree that there is scope for a little more sympathetic imagination on the part of employers regarding the material surroundings in which men and women are expected to work. We cannot expect efficiency from people whose daily routine is carried on amid discomfort, in rooms which are ill-lighted, ill-ventilated and ugly. America has taken the lead in demonstrating the importance of welfare work, and I am hoping to learn much in this connection during my visit.

5. *Profit-Sharing*

I pass now to the question of giving the workers an interest in the financial prosperity of the industry in which they are engaged. I may say that I have been driven to recognize the need for such a policy rather against my will. I was for a long time definitely opposed to any scheme of profit-sharing, but now I have come to feel that something of that nature is a necessary condition of industrial peace. With us in Britain, more and more workers are saying to the employers: "You press us for increased output. You ask us to unite with you in rendering the business as efficient as possible. But why should we bother? Apart from possible individual advantages under a piece-work system, the only effect of our energy will be to increase the earnings of share-holders for whom we care nothing."

It is of little use to tell people who are thinking along these

lines that the workers will gain in the long run by rendering industry efficient and thus making a higher standard of living possible for themselves. This argument is too remote for men who are apt to take very short views. They see that increased efficiency leads directly to increased dividends, and also that improved methods may mean a temporary dislocation of the labor market which impresses them much more forcibly than any arguments concerning the ultimate advantages which they will gain from increased output.

Now, if we really want to bridge the gulf between capital and labor and to replace the growing spirit of antagonism by a spirit of cooperation, I think we must definitely adopt some system whereby both parties are directly interested in industrial prosperity.

I am very familiar with the arguments against profit-sharing or co-partnership. Indeed, I have myself made use of them for many years. I know too that organized labor, in Britain at any rate, is afraid that profit-sharing schemes may undermine the solidarity of the labor movement. So far as that fear is concerned, I am convinced that it could be removed if the schemes devised safeguarded adequately the interests of the unions. As for the general drawbacks to profit-sharing, I have come to the conclusion that, having regard to the present psychology of the workers, they are more than outweighed by its advantages. But I think it is important that we should find out just what we want to achieve by giving workers a direct interest in the prosperity of their own industry. I think that primarily we wish them to feel that we are honestly trying to do justice to their claims as human beings. Profit-sharing should not be a substitute for, or an alternative to piece-work, but an addition to all the means which an employer can legitimately adopt to induce workers to do their best. It is rather a means of creating harmony throughout the works than a direct stimulation to effort. But if a scheme of profit-sharing is to give the good results which I feel sure may be expected from it, certain fundamental conditions must be met in every case. I think they may be stated as follows:

- (1) The figure taken for capital must be a fair one, and not one inflated for the purpose.

- (2) Labor's share of profits must be definitely fixed beforehand, and there must be no room for manipulation, whether by the setting aside of reserves or by unduly increasing the reward of direction, or otherwise.
- (3) Labor must have adequate means of satisfying itself as to the accuracy of the accounts.
- (4) Labor must have a legal right to its share of profits, and not be given them as a bounty.
- (5) There must be no unreasonable provisions aimed at the freedom and mobility of labor.
- (6) Wages must not be less than trade union or other appropriate rates.
- (7) Employees must be free to join a trade union.
- (8) Strikes must not be penalized in any way under the profit-sharing scheme.

Subject to these conditions I believe it would be advisable to introduce profit-sharing. I am, of course, referring only to "surplus" profits, i. e. any profit there may be left over in a business after labor and management have been paid current rates of wages, and after capital has received the current rate of interest for secured capital plus a reasonable margin to cover risk. In other words, there are no surplus profits until capital is receiving whatever rate of remuneration may be necessary to insure the supply of any further capital which may, from time to time, be required for the development of the business.

Let me briefly summarize what I have said. Industry is confronted by a growing spirit of unrest and antagonism between Capital and Labor which means not only perpetual strikes and lockouts, but an infinite amount of daily friction and wasted energy. There are two ways in which we may confront the situation. Capital may organize still further in the hope of becoming so strong as to be able to crush Labor. But I think we are coming to realize that no real solution of the problem is to be found along these lines. The alternative is to discover and remove the legitimate causes of labor unrest, and I have suggested there are five claims on the part of the workers which must be satisfied: (1) We must so organize industry that it will become possible to pay all workers of normal ability wages which will at least enable them to live in reasonable comfort. (2) Their working hours must be such as will give them

adequate opportunities for recreation and self-expression. (3) Measures must be taken materially to increase their economic security, notably with regard to unemployment. (4) The workers must have a share in determining the conditions under which they shall work. And finally (5) they must have a direct interest in the prosperity of the industry in which they are engaged.

I believe that all these conditions can be met without lowering the efficiency of industry, and if employers will devise means for meeting them in a generous spirit, I believe that we shall succeed very largely in replacing the present spirit of antagonism between Capital and Labor by a spirit of harmony and co-operation. It may be urged that the workers are never satisfied, and that we have tried sometimes one and sometimes another of the methods to which I have referred, with unsatisfactory results. I believe that we shall not obtain satisfactory results unless we apply the whole remedy. The present situation calls not only for bold action but for imagination and sympathetic insight on the part of those who conduct industry. I should like to see the Anglo-Saxon races give a lead to the rest of the world in dealing effectively with the problem of industrial unrest.

It is a task for which they are, by tradition and temperament, particularly suited. The moment is opportune, the need for action is urgent, and the first step must come from employers.